

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2017/2018

**BFN 2084 – PERSONAL FINANCE**  
(ALL SECTIONS)

17 MARCH 2018  
2.30 P.M. – 4.30 P.M.  
(2 Hours)

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### INSTRUCTIONS TO STUDENTS

1. This questions paper consists of 6 pages with **TWO** sections.
2. Answer **ALL** questions in **Sections A and B**. The marks for each section are given in the question paper.
3. Please write your answers for Section A and B in the answer booklet.

**SECTION A (40 marks): Answer ALL questions. Choose the best answer.**  
**Each question carries 2 marks.**

- Q1. Each year, Sophie Salleh must pay RM500 for doctor's visits before her insurance company will make any payments for doctor's visits. What is this requirement called?
- A. Coordination of benefits
  - B. Deductible
  - C. Coinsurance
  - D. Stop-loss provision
  - E. Waiver of premium
- Q2. Peril is defined as:
- A. the refusal by an insurance company to pay for a loss.
  - B. the cause of risk.
  - C. the cause of a possible loss.
  - D. an uncertainty as to loss.
  - E. safety.
- Q3. Which of these is a potential financial benefit of home ownership?
- A. Low security deposit
  - B. Increases in property value
  - C. Lifestyle flexibility
  - D. Tax deductibility of the down payment
  - E. No maintenance cost
- Q4. Which one of the following insurance policy provisions requires the insured to pay for part of the loss if the property is not insured for the specified percentage of replacement value?
- A. Personal property floater
  - B. An endorsement
  - C. Coinsurance clause
  - D. Umbrella coverage
  - E. Assigned risk clause

**Continued...**

- Q5. How frequently does the premium for a whole life policy change during the insured's life?
- A. Every year
  - B. Every two years
  - C. Every five years
  - D. Every 10 years
  - E. It never changes
- Q6. Wearing a seat belt in an automobile to protect yourself against the risk of injury in an automobile accident is an example of risk \_\_\_\_\_.
- A. reduction
  - B. acceptance
  - C. pooling
  - D. shifting
  - E. avoidance
- Q7. Which of the following would increase the amount that a person could afford to spend on a home?
- A. Increase in family income
  - B. Increase in insurance payments
  - C. Decrease in initial maintenance and repairs
  - D. Increase in utility bills
  - E. Increase in monthly living expenses
- Q8. Which type of health insurance plan may not cover all of your health insurance needs and may deny benefits if you lose your job?
- A. Group health insurance
  - B. Life insurance
  - C. Medicare
  - D. Medicaid
  - E. Disability income insurance
- Q9. The *most* common type of permanent life insurance is called:
- A. whole life.
  - B. term life.
  - C. universal life.
  - D. modified life.
  - E. variable life.

Continued...

- Q10. The most common method of dealing with risk is to:
- A. shift the risk.
  - B. pool the risk.
  - C. avoid the risk.
  - D. reduce the risk.
  - E. assume the risk.
- Q11. Which statement is correct about whole life insurance?
- A. At first, it is cheaper than term life.
  - B. It builds up cash value.
  - C. The premiums increase with your age.
  - D. It is the best choice for people who plan to keep the policy for a short term.
  - E. It is the same thing as term life insurance.
- Q12. Kathy Pang wants to diversify her portfolio by investing in a firm that has the potential to earn above average profits compared to other firms in the economy. What type of stock is Kathy thinking about adding to her portfolio?
- A. Defensive stock
  - B. Cyclical stock
  - C. Small cap stock
  - D. Blue chip stock
  - E. Growth stock
- Q13. Assume that you purchased 100 shares of a stock for RM55 a share, that you received an annual dividend of RM2.00 a share, and that you sold your stock for RM65 a share at the end of one year. What is the total return on your investment?
- A. RM200
  - B. RM1,000
  - C. RM1,200
  - D. RM1,500
  - E. RM2,200
- Q14. Which of the following is a possible disadvantage of real estate investments?
- A. Lack of involvement in property maintenance
  - B. Hedge against inflation
  - C. Illiquidity
  - D. Lack of financial risk
  - E. Capital requirements for total venture may be high

Continued...

- Q15. Real property equity investments are usually considered attractive during times of:
- A. deflation.
  - B. disinflation.
  - C. inflation.
  - D. recession.
  - E. unemployment.
- Q16. Renting would be *most* appropriate for people who:
- A. want more tax deduction benefits.
  - B. have limited initial funds available.
  - C. desire to do their own maintenance and repairs.
  - D. enjoy remodeling their residence.
  - E. desire unmonitored parties.
- Q17. Which of the following is a true statement about retirement planning?
- A. You can expect to spend about 16 to 30 years in retirement.
  - B. It's never too early to begin planning for retirement.
  - C. You should not let your 45<sup>th</sup> birthday roll by without a comprehensive retirement plan.
  - D. Retirement planning has both emotional and financial components.
  - E. All of these statements are true.
- Q18. Which of the following is a part of estate planning?
- A. Making a will
  - B. Setting up a trust
  - C. Accumulating funds for your future
  - D. Disposing of your property at your death
  - E. All of these are part of estate planning.
- Q19. Which statement is not true about a formal will?
- A. It is usually prepared without an attorney's assistance.
  - B. It may be typed.
  - C. It may be on a preprinted form.
  - D. You must sign it in the presence of two witnesses.
  - E. It must also be signed by the witnesses in your presence.

Continued...

Q20. Nancy Kuok has been selected to manage the trust assets of Justin Lim until he reaches the age of 30. Justin is currently 21. In what capacity would Nancy be acting?

- A. Executrix
- B. Trustee
- C. Guardian
- D. Beneficiary
- E. Administrator

**SECTION B (60 marks): Answer ALL questions.**

**Question 1**

- (a) Explain the differences between a defined-contribution and defined benefit plan. (10 marks)
- (b) Why is retirement planning important? (5 marks)

**(Total: 15 marks)**

**Question 2**

- (a) What are four common benefits for establishing a trust? (8 marks)
- (b) Discuss the purposes of life insurance. (7 marks)

**(Total: 15 marks)**

**Question 3**

Nassir Zain has saved RM10,000.00 and wants to invest in common stock. Give four (4) long-term techniques and three (3) short-term techniques that he could use to invest.

**(Total: 15 marks)**

**Continued...**

**Question 4**

- (a) Health and Life insurance provides the coverage for the cost of medical treatment including the cost of hospitalisation and healthcare services. Due to the rapid increase in medical expenses, health and life insurance are increasingly important. The understandings of terms used are vital and you should understand the meaning before you purchase the insurance. As a result, you are required to explain the below terms:

- (i) Co-insurance
- (ii) Coordination of benefits
- (iii) Incontestability clause

**(9 marks)**

- (b) Explain the endowment policy and term insurance.

**(6 marks)**

**(Total: 15 marks)**

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